



NEW YORK STATE COMMISSION ON NATIONAL AND COMMUNITY SERVICE FISCAL MANAGEMENT TRAINING

Jerry Bertrand
Public Impact Advisors





SESSION 1

DEVELOPMENT OF AN EFFECTIVE BUDGET



© Public Impact Advisors, 2021

Learning Objectives

- Review the structure and applicability of 2 CFR 200 Subpart E
- Review the criteria for allowable costs
- Understand reasons costs get questioned/disallowed
- Review the AmeriCorps State and National format and discuss key considerations related to budget preparation.



COST PRINCIPLES



© Public Impact Advisors, 2021

Applicability of Subpart E

| The following portions of this part | Are applicable to the following types of Federal Awards and Fixed-Price Contracts and Subcontracts | Are NOT applicable to the following types of Federal Awards and Fixed-Price Contracts and Subcontracts |
|-------------------------------------|---|--|
| Subpart E—Cost Principles | <ul style="list-style-type: none">• Grant Agreements and cooperative agreements, except those providing food commodities• All procurement contracts under the Federal Acquisition Regulations except those that are not negotiated | <ul style="list-style-type: none">• Grant agreements and cooperative agreements providing food commodities.• Fixed amount awards.• Agreements for loans, loans guarantees, interest subsidies and insurance.• Federal awards to hospitals (see Appendix IX Hospital Cost Principles). |

Subpart E – Cost Principles

- General Provisions
 - §200.400 – §200.401
- Basic Considerations
 - §200.402 – §200.411
- Direct and Indirect (F&A) Costs
 - §200.412 – §200.415
- Special Considerations for States, Local Governments, & Indian Tribes
 - §200.416 – §200.417
- Special Considerations for Institutions of Higher Education
 - §200.418 – §200.419
- General Provisions for Selected Items of Cost
 - §200.420 – §200.476

Subpart E – Cost Principles

§ 200.400 Policy guide.

The application of these cost principles is based on the fundamental premises that:

- (a) The non-Federal entity is responsible for the efficient and effective administration of the Federal award through the application of sound management practices.
- (b) The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.
- (c) The non-Federal entity, in recognition of its own unique combination of staff, facilities, and experience, has the primary responsibility for employing whatever form of sound organization and management techniques may be necessary in order to assure proper and efficient administration of the Federal award.
- (d) The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity. However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to the Federal award.

Subpart E – Cost Principles

§ 200.400 Policy guide. (cont.)

(e) In reviewing, negotiating and approving cost allocation plans or indirect cost proposals, the cognizant agency for indirect costs should generally assure that the non-Federal entity is applying these cost accounting principles on a consistent basis during their review and negotiation of indirect cost proposals. Where wide variations exist in the treatment of a given cost item by the non-Federal entity, the reasonableness and equity of such treatments should be fully considered. See the definition of *indirect (facilities & administrative (F&A)) costs* in [§ 200.1 of this part](#).

(f) For non-Federal entities that educate and engage students in research, the dual role of students as both trainees and employees (including pre- and post-doctoral staff) contributing to the completion of Federal awards for research must be recognized in the application of these principles.

(g) The non-Federal entity may not earn or keep any profit resulting from Federal financial assistance, unless explicitly authorized by the terms and conditions of the Federal award. See also [§ 200.307](#).

Cost Allowability

An **allowable** cost is one that meets the criteria for authorized expenditures specified in the Cost Principles, located at 2 CFR 200, Subpart E.

To meet federal standards for allowability, a cost charged to a federal grant must meet specific criteria.

§200.401 Application

- a) *General.* These principles must be used in determining the **allowable costs** of work performed by the non-Federal entity under Federal awards. These principles also must be used by the non-Federal entity as a guide in the pricing of fixed-price contracts and subcontracts where costs are used in determining the appropriate price. **The principles do not apply to:**
- 1) Arrangements under which Federal financing is in the form of loans, scholarships, fellowships, traineeships, or other fixed amounts based on such items as education allowance or published tuition rates and fees.
 - 2) For IHEs, capitation awards, which are awards based on case counts or number of beneficiaries according to the terms and conditions of the Federal award.
 - 3) Fixed amount awards. See also §200.1 and 200.201

§200.401 Application

- 4) *Federal awards to hospitals (see appendix IX to this part).*
- 5) *Other awards under which the non-Federal entity is not required to account to the Federal Government for actual costs incurred.*

Also: see 200.401(b) and (c)

§200.402 Composition of costs.

Total cost. The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits.

- WHY ARE COSTS QUESTIONED?
- CAN THIS ALWAYS BE AVOIDED?
- WHAT IS THE APPROPRIATE RESPONSE TO A QUESTIONED COST?



§200.403 Factors affecting allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

§200.403 Factors affecting allowability of costs.

- e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306(b).
- g) Be adequately documented. See also §§200.300 through 200.309 of this part.
- h) Cost must be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to §200.308(e)(3).

§200.406 Applicable credits.

- a) Applicable credits refer to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the Federal award as direct or indirect (F&A) costs...

§200.408 Limitation on allowance of costs.

The Federal award may be subject to statutory requirements that limit the allowability of costs. When the maximum amount allowable under a limitation is less than the total amount determined in accordance with the principles in this part, the amount not recoverable under the Federal award may not be charged to the Federal award.

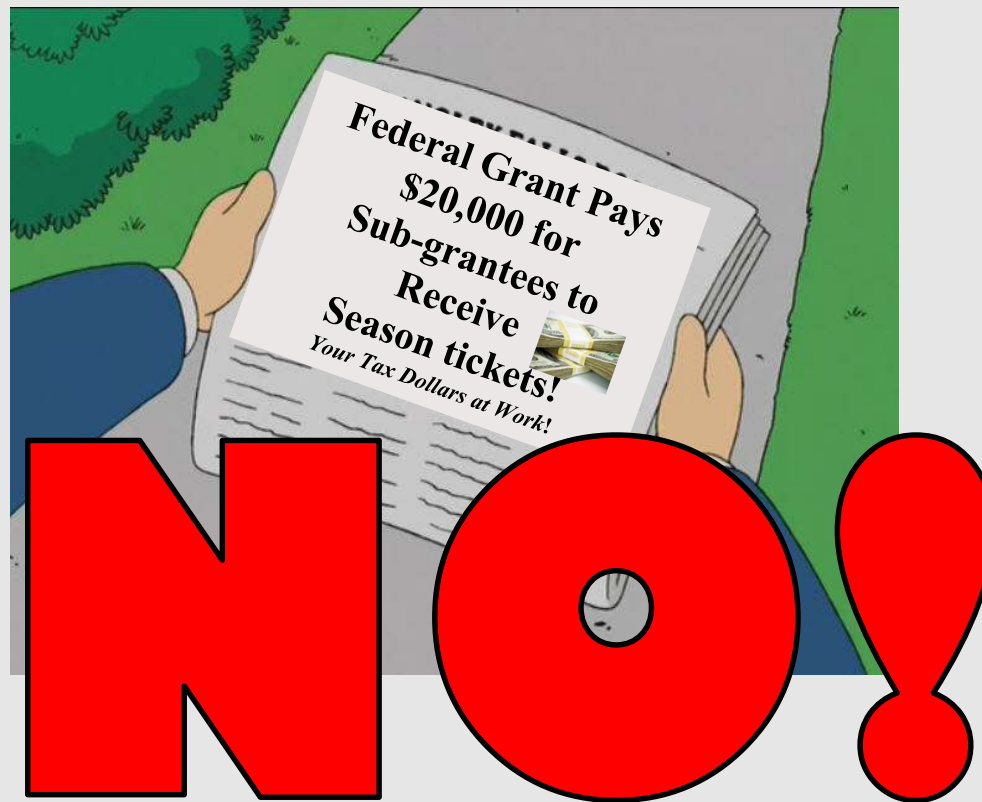
§200.412 Classification of costs.

There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards. Guidelines for determining direct and indirect (F&A) costs charged to Federal awards are provided in this subpart.

Cost Allowability Criteria

1. Necessary and reasonable (*200.403(a) and 200.404*)
2. Allocable (*200.403(a) and 200.405*)
3. Conform to any limitations or exclusions (*200.403(b)*)
4. Consistent with policies and procedures for federal and non-federal activities (*200.403(c)*)
5. Consistent treatment as either a direct or indirect cost (*200.403(d) and 200.412*)
6. Determined in accordance with GAAP (*200.403(e)*)
7. Not be included as a cost or used to meet cost sharing or matching requirements (*200.403(f)*)
8. Adequately documented (*200.403(g)*)
9. Applicable credits (*200.406*)
10. Statutory requirements that limit the allowability of costs (*200.408*)
11. Incurred during the approved budget period (*200.403(h)*)

1. Necessary and Reasonable



1. Necessary and Reasonable

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded.

1. Necessary and Reasonable

In determining reasonableness of a given cost, consideration must be given to:

- a) *Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.*
- b) *The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state and other laws and regulations; and terms and conditions of the Federal award.*
- c) *Market prices for comparable goods or services for the geographic area.*
- d) *Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal government.*
- e) *Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.*

1. Necessary and Reasonable

DO:



- Consider how the perception of this decision would affect your organization if it were in the newspaper.
- Ask questions when something seems off.
- Use the “prudent person” test

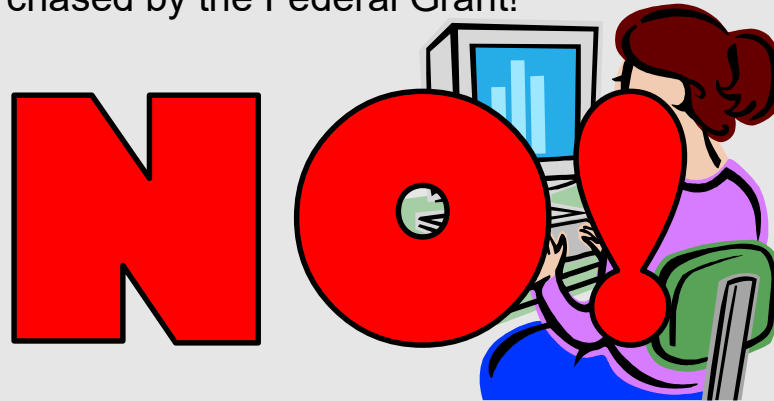


DON'T

- Fail to consider common sense and ethical use of funds.

2. Allocable

This computer has been generously purchased by the Federal Grant!



Schedule for Use:

- 9:00 – 1:00 = Federal Program
- 1:30 – 5:00 = Open Use for Anyone

2. Allocable

- a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:
 - 1) *Is incurred specifically for the Federal award;*
 - 2) *Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and*
 - 3) *Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.*
- b) All activities which benefit from the non-Federal entity's indirect (F&A) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs

2. Allocable


- c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

2. Allocable


- d) Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. See also §§200.310 through 200.316 and 200.439.
- e) If the contract is subject to CAS, costs must be allocated to the contract pursuant to the Cost Accounting Standards. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over the allocation provisions in this part.

2. Allocable

DO

- 
- Have a well-thought out Cost Allocation Plan that takes the following into account:
 - *The CAP should be a statement of methodology for allocating items of cost, as opposed to containing specific percentages or amounts.*
 - *The CAP should include the ability to update numbers related to cost drivers as they change, so that costs may always be allocated appropriately.*
 - *The CAP should provide for allocation of both direct and indirect costs, and should keep the two separate.*
 - Update your CAP as activities change or methods would no longer yield an accurate determination of benefits received by a program, project or activity.

DON'T

- 
- Allocate costs inconsistently; rather, follow your CAP.
 - Report costs that are not allocable to the period of time or the work proposed in the grant application.

3. Conform to any limitations or exclusions

From 2 CFR 200.403:

(b)Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.



DO

- Build procedures to ensure limits and exclusions are not violated.
- Read 2 CFR 200.308 (relates to grant changes that require prior written approval)
- Read 2 CFR 200.407 and the 2 CFR 200 citations referenced at 2 CFR 200.407 (lists types of costs that require prior written approval (if not in the approved budget)



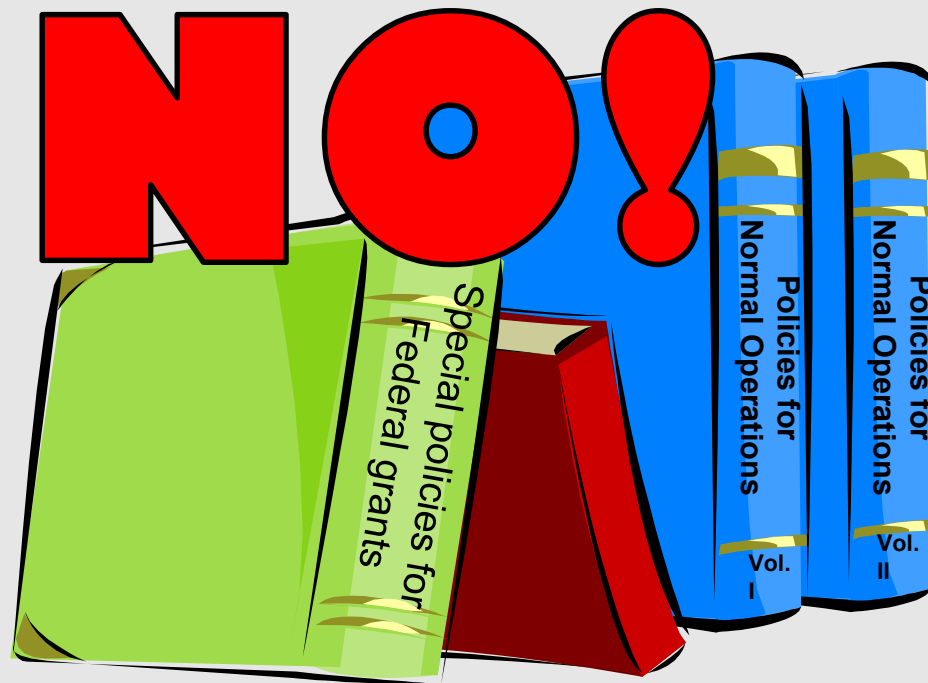
DON'T

- Leave this to a person's memory or to chance; rather, create systems to ensure your success
- Incur types of costs not in your approved budget
- Incur significantly more cost than is budgeted for a cost that is in your approved budget.

§200.407 Prior written approval. (prior approval)

Under any given Federal award, the reasonableness and allocability of certain items of costs may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or nonallocability, the non-Federal entity **may seek the prior written approval of the cognizant agency for indirect costs or the Federal awarding agency in advance of the incurrence of special or unusual costs**. Prior written approval should include the timeframe or scope of the agreement. The absence of prior written approval on any element of cost will not, in itself, affect the reasonableness or allocability of that element, unless prior approval is specifically required for allowability as described under certain circumstances in the following sections of this part.

4. Consistent Policies and Procedures



4. Consistent with Policies and Procedures

- c) *Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.*

Federal and non-federal funds must be treated consistently.

DO



- Follow your policies and procedures in all situations.
- Have policies in place at the time that you accept the award.



DON'T

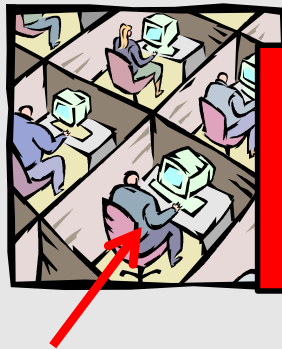
- Make exceptions in how you spend or allocate federal costs.

5. Treated consistently as direct or indirect

Federal Grant A

Supports Tutoring Program

Bob performs Grant A accounting duties with 10% of his time.



10% of Bob's cube
at \$25/ft charged
indirect

Federal Grant B

Supports Mentoring Program

Bob performs similar Grant B accounting duties with 20% of his time.



20% of Bob's cube
at \$25/ft charged
direct

NO!

5. Treated consistently as direct or indirect

From 2 CFR 200.412:

Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards.

If a cost is direct or indirect on one award or funding source, it should be the same for others.



DO

- Charge as direct costs all things that can be readily tracked as such.



DON'T

- Double charge as both direct and indirect.

§200.412 Classification of costs.

There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards. Guidelines for determining direct and indirect (F&A) costs charged to Federal awards are provided in this subpart.

6. In accordance with GAAP

2 CFR 200.1-*Generally Accepted Accounting Principles (GAAP) has the meaning specified in accounting standards issued by the Government Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).*

Generally accepted accounting principles (GAAP) are the standard framework of guidelines for financial accounting used in any given jurisdiction; generally known as **accounting standards** or standard accounting practice. These include the standards, conventions, and rules that accountants follow in recording and summarizing and in the preparation of financial statements (www.Wikipedia.com)

DO

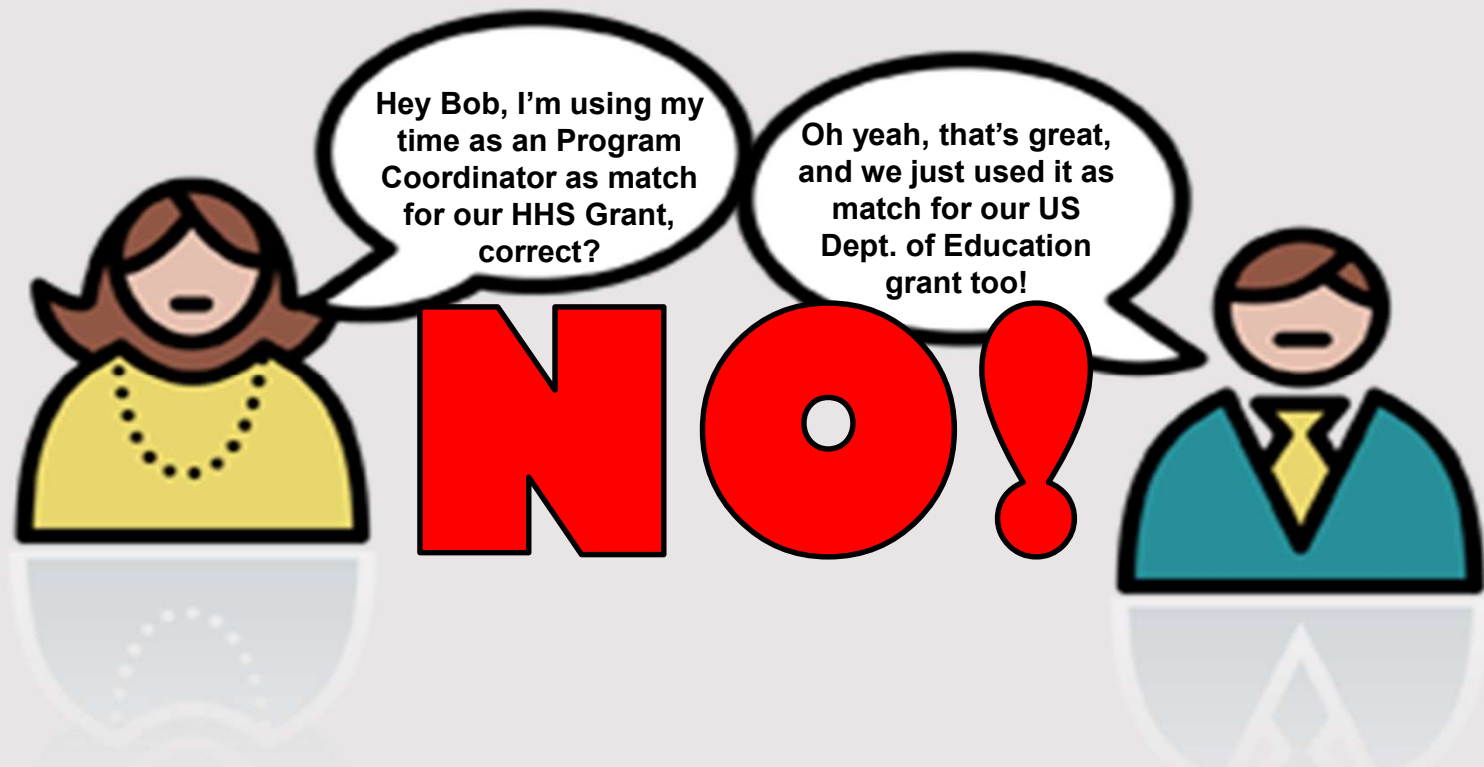
- Have staff who are familiar with GAAP.

DON'T

- Just assume you are doing it correctly.



7. Not Included on Another Federal Award



7. Not Included on Another Federal Award

- f) *Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also § 200.306(b).*

Don't report federal funds as match on a federal grant unless you have permission from the grantor of the funds you wish to use as match or the funds have lost their federal identity. Also, don't use the same dollar as match on two different awards.

DO

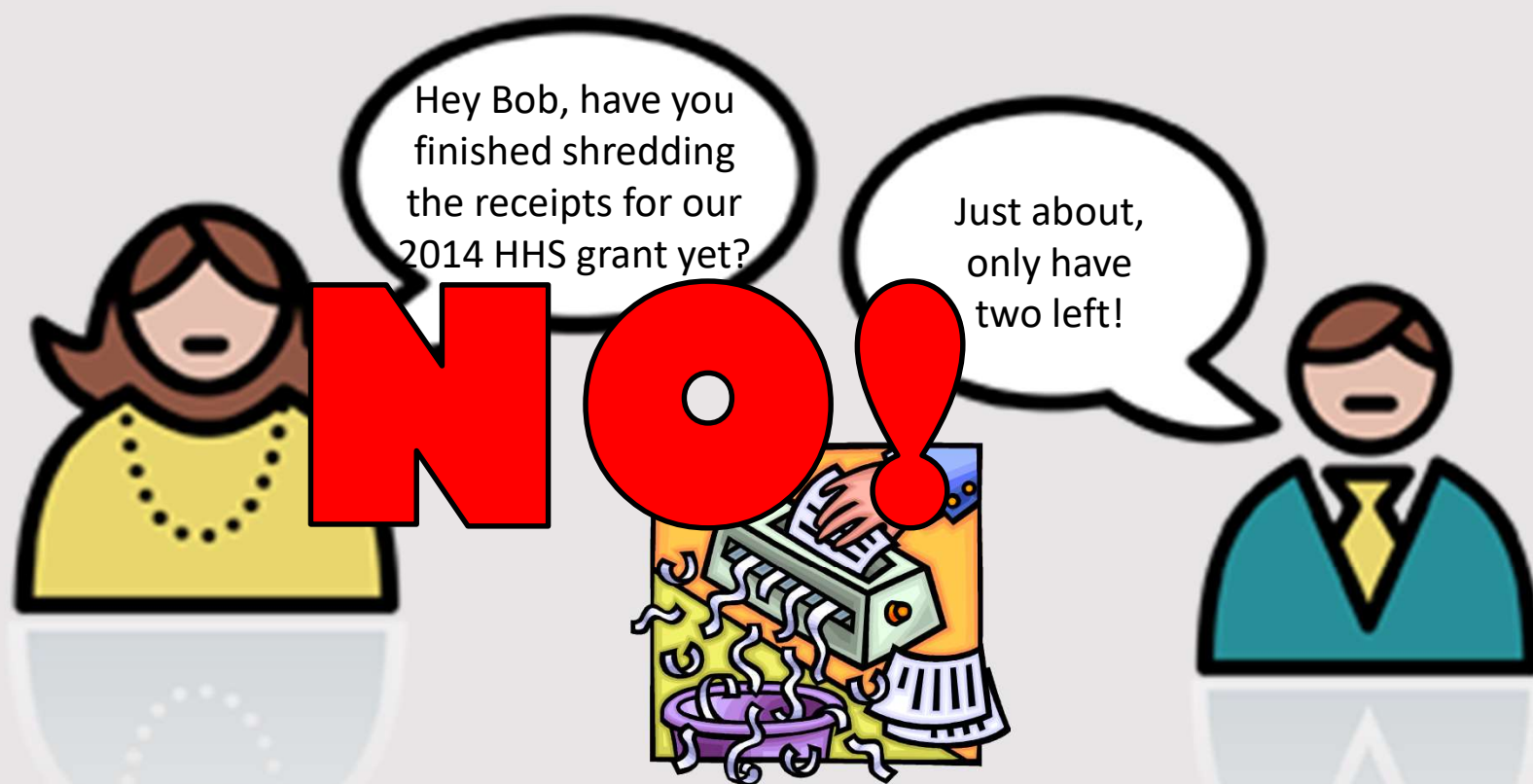
- Ensure staff understand this directive and set up systems to ensure cost sharing is only done with appropriate authorization.

DON'T

- Assume funds are not federal if you did not directly receive them from the federal government.




8. Adequately Documented




8. Adequately Documented

Documentation should leave no question as to whether or not the other criteria were met. If it isn't appropriately documented, then it didn't happen.

DO

- 
- Ensure that documents demonstrate purpose, reasonableness, necessity, funding source, allocability, and appropriate approval of the cost.
 - Ask yourself if the document would substantiate the other criteria of allowable costs.
 - Document the **actual benefit received** rather than charge based on budget.
 - Ensure that third party in-kind contributions are documented in accordance with 2 CFR 200.306 requirements

DON'T

- 
- Document expenditures in a manner that leaves questions about any other criteria for cost allowability. (ex. Credit card statement only vs. itemized receipt)

9. Net of all applicable credits.



9. Net of all applicable credits.

If a refund or discount is received on a purchase, this refund or discount is not an allowable cost on a grant.

DO



- Adjust reporting when an item is returned to the vendor or a rebate is received.
- Be aware of discounts applied by vendors and ensure that reporting takes them into account.
- Ensure that **program income** is spent during the grant period and that you do not request reimbursement for costs incurred with program income.



DON'T

- Report the percentage rate for Worker's Compensation, before any adjustments, experience ratings, or other modifications are taken into account.

10. Statutory requirements that limit the allowability of costs

This rarely comes up, but it is important to be aware. Examples could be local or state taxes.



DO

- Be aware of state and local requirements.




DON'T

- Incur costs that violate state and local requirements.

11. Incurred during the Approved Budget Period

DO

- 
- Consider the following items that are included in costs “incurred” during the budget period
 - *Salaries and wages for days worked during the budget period, but not paid until after the budget period end date*
 - *Utilities expense for days during the budget period, but not paid until after the budget period end date*
 - *Orders placed or services received during the budget period but not paid until after the budget period end date (but if an item is not received during the budget period, it probably isn’t **allocable** to the budget period)*

DON'T

- 
- Charge costs incurred before or after the budget period to an award.

Common Mistakes

- Beneficiary or participant eligibility either not ensured or not documented
- Salary Documentation
 - Not reporting based on **after-the-fact** documentation
 - Not reporting based on the percentage of **total** hours
- Documentation provided doesn't show the item as necessary for the project
- Not following your policies and procedures

Common Mistakes


- Not following federal procurement requirements
- Cost Allocation-Inappropriate allocation base (*doesn't correlate to the benefit received by the grant*)
 - Events benefitting entire organization or multiple programs, but charged 100% to one program
- Third Party In-Kind Documentation
 - Inaccurate determination of Fair Market Value.
 - Lack of understanding the nuances of assigning value to donated services.
- Program Income tracking and utilization

Consequences for Unallowable Payments

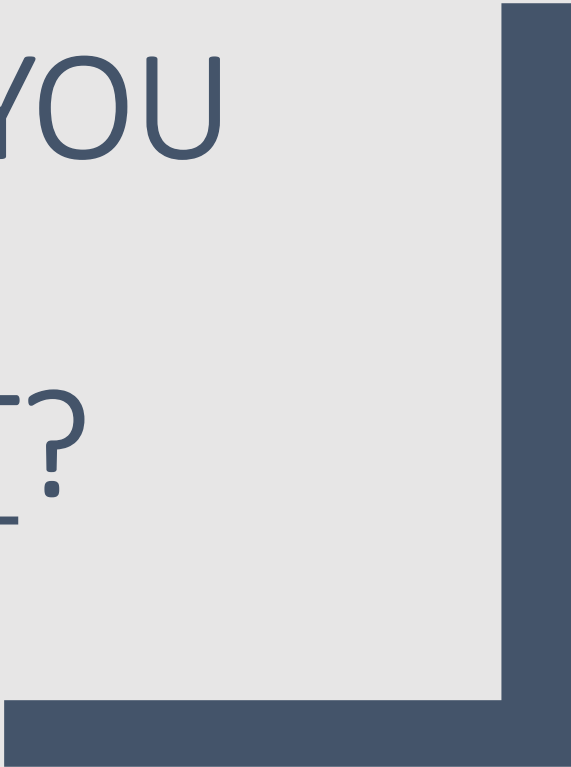
- Grantee pays back programmatic costs
 - Salaries, fringe, supplies, training, equipment, etc.
- Remove unallowable match (which may cause some federal costs to be unallowable)
- Shut down all or a portion of your program
- Negative media coverage and public perception for your organization

I'm so glad I learned about
cost allowability, I was
certainly headed down a
path to never again
receive federal funds!





HOW WOULD YOU
DEFINE A
DIRECT COST?



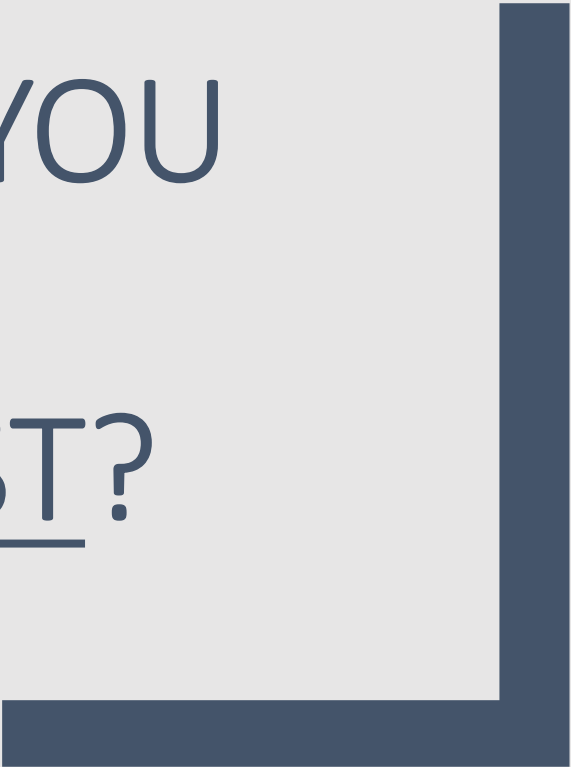
Direct and Indirect (F&A) Costs

§200.413 Direct costs.

(a) *General.* Direct costs are those costs that **can be identified specifically with a particular final cost objective**, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs. See also §200.405.



HOW WOULD YOU
DEFINE AN
INDIRECT COST?



§200.1 Indirect (F&A) costs

Indirect facilities and administrative (F&A) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

Direct and Indirect (F&A) Costs

§200.414 Indirect (F&A) costs.

- a) *Facilities and administration Classification.* For major Institutions of Higher Education (IHEs) and **major nonprofit organizations**, indirect (F&A) costs must be classified within two broad categories: “Facilities” and “Administration.” “Facilities” is defined as depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. “Administration” is defined as general administration and general expenses such as the director's office, accounting, personnel and all other types of expenditures not listed specifically under one of the subcategories of “Facilities” (including cross allocations from other pools, where applicable). For nonprofit organizations, library expenses are included in the “Administration” category; for IHEs, they are included in the “Facilities” category. Major IHEs are defined as those required to use the Standard Format for Submission as noted in appendix III to part 200 and Rate Determination for Institutions of Higher Education paragraph C. 11. Major nonprofit organizations are those which receive more than \$10 million dollars in direct Federal funding.

Direct and Indirect (F&A) Costs

§200.414 Indirect (F&A) costs.

- b) *Diversity of nonprofit organizations.* Because of the diverse characteristics and accounting practices of nonprofit organizations, **it is not possible to specify the types of cost which may be classified as indirect (F&A) cost in all situations. Identification with a Federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect (F&A) costs of Federal awards.** However, typical examples of indirect (F&A) cost for many nonprofit organizations may include depreciation on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting.

Direct and Indirect (F&A) Costs

§200.414 Indirect (F&A) costs.

c) *Federal Agency Acceptance of Negotiated Indirect Cost Rates.* (See also §200.306.)

- 1) **The negotiated rates must be accepted by all Federal awarding agencies.** A Federal awarding agency may use a rate different from the negotiated rate for a class of Federal awards or a single Federal award only when required by Federal statute or regulation, or when approved by a Federal awarding agency head or delegate based on documented justification as described in paragraph (c)(3) of this section.
- 2) The Federal awarding agency head or delegate must notify OMB of any approved deviations.
- 3) The Federal awarding agency must implement, and make publicly available, the policies, procedures and general decision-making criteria that their programs will follow to seek and justify deviations from negotiated rates.
- 4) As required under §200.204, the Federal awarding agency must include in the notice of funding opportunity the policies relating to indirect cost rate reimbursement, matching, or cost share as approved under paragraph (e)(1) of this section. As appropriate, the Federal agency should incorporate discussion of these policies into Federal awarding agency outreach activities with non-Federal entities prior to the posting of a notice of funding opportunity.

Direct and Indirect (F&A) Costs

§200.414 Indirect (F&A) costs.

- d) Pass-through entities are subject to the requirements in §200.332(a)(4).

§200.332 Requirements for pass-through entities.

All pass-through entities must:

- a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:
 - 1) Federal award identification.
(i)-(xi) See 200.331
(xiv) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414.
 - 2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
 - 3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;

§200.332 Requirements for pass-through entities.

(4)(i) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government. If no approved rate exists, the pass-through entity must determine the appropriate rate in collaboration with the subrecipient, which is either:

(A) The negotiated indirect cost rate between the pass-through entity and the subrecipient; which can be based on a prior negotiated rate between a different PTE and the same subrecipient. If basing the rate on a previously negotiated rate, the pass-through entity is not required to collect information justifying this rate, but may elect to do so;

(B) The de minimis indirect cost rate.

(ii) The pass-through entity must not require use of a de minimis indirect cost rate if the subrecipient has a Federally approved rate. Subrecipients can elect to use the cost allocation method to account for indirect costs in accordance with §200.405(d).

Direct and Indirect (F&A) Costs

§200.414 Indirect (F&A) costs.

e) **Requirements for development and submission of indirect (F&A) cost rate proposals and cost allocation plans are contained in Appendices III-VII and Appendix IX as follows:**

- 1) Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs);
- 2) (2) Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations;
- 3) (3) Appendix V to Part 200—State/Local Governmentwide Central Service Cost Allocation Plans;
- 4) (4) Appendix VI to Part 200—Public Assistance Cost Allocation Plans;
- 5) (5) Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals; and
- 6) (6) Appendix IX to Part 200—Hospital Cost Principles.

Direct and Indirect (F&A) Costs

§200.414 Indirect (F&A) costs.

- f) In addition to the procedures outlined in the appendices in paragraph (e) of this section, any non-Federal entity that does not have a current negotiated (including provisional) rate except for those non-Federal entities described in appendix VII to this part, paragraph D.1.b, may elect to charge a de minimis rate of **10% of modified total direct costs (MTDC)** which may be used **indefinitely**. No documentation is required to justify the 10% de minimis indirect cost rate. As described in §200.403, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time.

Direct and Indirect (F&A) Costs §200.414 Indirect (F&A) costs.

- g) Any non-Federal entity that has a current federally negotiated indirect cost rate **may apply for a one-time extension of the rates in that agreement for a period of up to four years.** This extension will be subject to the review and approval of the cognizant agency for indirect costs. If an extension is granted the non-Federal entity may not request a rate review until the extension period ends. At the end of the 4-year extension, the non-Federal entity must re-apply to negotiate a rate. Subsequent one-time extensions (up to four years) are permitted if a renegotiation is completed between each extension request.

Direct and Indirect (F&A) Costs

§200.414 Indirect (F&A) costs.

(h) The federally negotiated indirect rate, distribution base, and rate type for a non-Federal entity (except for the Indian tribes or tribal organizations, as defined in the Indian Self Determination, Education and Assistance Act, 25 U.S.C. 450b(1)) must be available publicly on an OMB-designated Federal website.

General Provisions for Selected Items of Cost

§200.420 - 200.476

- Provides guidance on over 50 items of cost
- But doesn't cover everything

General Provisions for Selected Items of Cost

§200.420 Considerations for selected items of cost.

This section provides principles to be applied in establishing the allowability of certain items involved in determining cost, in addition to the requirements of Subtitle II of this subpart. These principles apply whether or not a particular item of cost is properly treated as direct cost or indirect (F&A) cost. **Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable;** rather, determination as to allowability in each case should be based on the treatment provided for **similar or related items of cost, and based on the principles described in §§200.402 through 200.411.** In case of a discrepancy between the provisions of a specific Federal award and the provisions below, the Federal award governs. Criteria outlined in §200.403 must be applied in determining allowability. See also §200.102.

General Provisions for Selected Items of Cost §200.420 - 200.476

Includes guidance on the cost of:

- Salaries and Wages
- Fringe Benefits
- Advertising/Public Relations
- Supplies/Equipment
- Travel
- Training
- Etc....

General Provisions for Selected Items of Cost

§200.420 - 200.476

Typical Unallowable Costs on Federal Grants

- Alcohol
- Entertainment
- Lobbying
- Fundraising
- Certain Advertising/Public Relations
- Alumni/ae Costs
- Bad Debts
- Interest

Common Mistakes

- Beneficiary or participant eligibility either not ensured or not documented
- Salary Documentation
 - Not reporting based on **after-the-fact** documentation
 - Not reporting based on the percentage of **total** hours
- Documentation provided doesn't show the item as necessary for the project
- Not following your policies and procedures

Common Mistakes

- Not following federal procurement requirements
- Cost Allocation-Inappropriate allocation base (*doesn't correlate to the benefit received by the grant*)
 - Events benefitting entire organization or multiple programs, but charged 100% to one program
- Third Party In-Kind Documentation
 - Inaccurate determination of Fair Market Value.
 - Lack of understanding the nuances of assigning value to donated services.
- Program Income tracking and utilization

Consequences for Unallowable Payments

- Grantee pays back programmatic costs
 - Salaries, fringe, supplies, training, equipment, etc.
- Remove unallowable match (which may cause some federal costs to be unallowable)
- Shut down all or a portion of your program
- Negative media coverage and public perception for your organization

ACTIVITY

1. Read the 73 Reasons document.
2. Highlight 5 reasons that resonate with you.
3. Share those with your discussion group.



BUDGET PREPARATION AND MANAGEMENT





BUDGET DEVELOPMENT, MANAGEMENT, SPECIAL RULES AND MODIFICATIONS

Jerry Bertrand
Public Impact Advisors



Learning Objectives

- Understand key sections of the AmeriCorps budget and pertinent details
- Understand common mistakes in budget preparation
- Learn best practices related to budget management, particularly in a context of multiple funding sources

WHAT CONCERNS DO YOU
HAVE ABOUT PREPARING THE
BUDGET?

What are some benefits of a well-prepared budget?

- Helps you not run out of money unexpectedly
- Helps you not have significant amount of money left at grant end
- Allows you to be nimble by getting costs approved in advance instead of waiting for approval later
- Establishes funder confidence
- Requires that you thoroughly think through your plan, which results in better programming and fiscal management
- Helps you get the results you want in the community

What are some negative results from a poorly prepared budget?

- May affect a decision to fund or not fund
- May cause significant additional work during grant negotiation
- May raise your risk level in the eyes of the funder (e.g. carelessly prepared budget may give concern regarding how you would manage grant funds)
- Potential applicant/grantee frustration
- Budget may overstate or understate your needs
- May cause to not get the results you wanted in the community

Hierarchy of Requirements



Program Law



Crosscutting Law



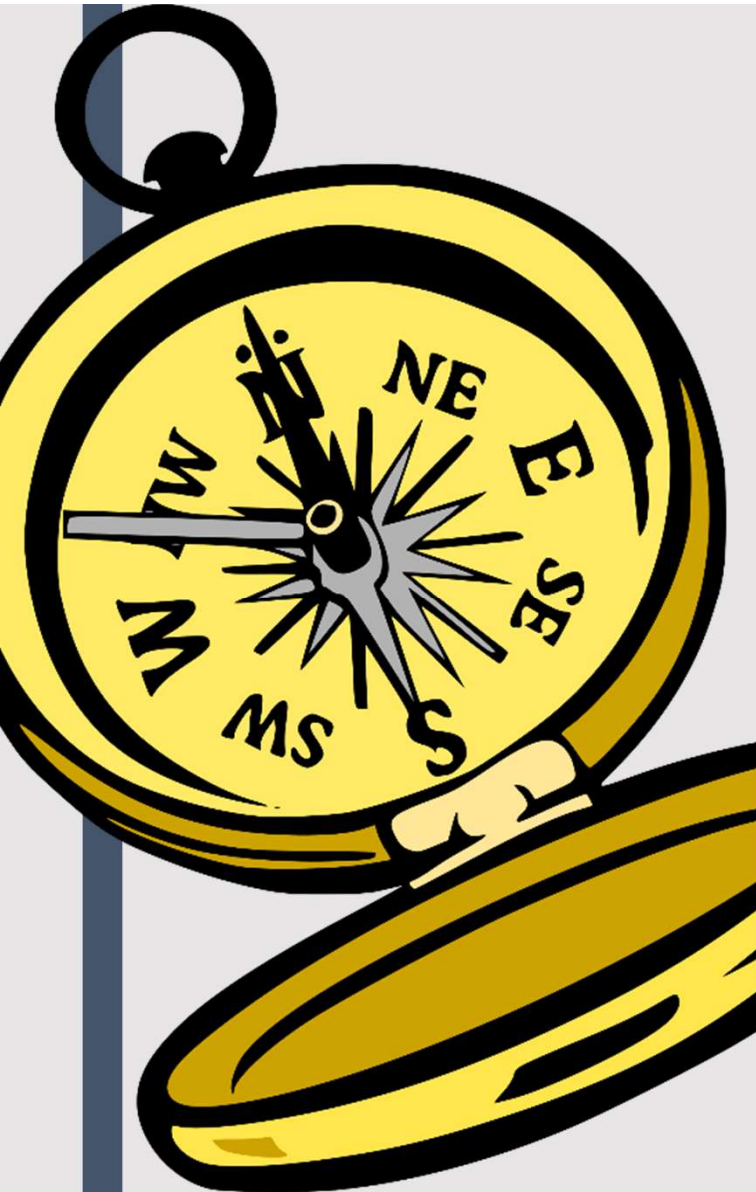
Code of Federal Regulations



Grant Agreement



Funder Policy, Directives



The Cost Principles


- 2 CFR 200 – Grants to State, Local, Tribal, Higher Education, Nonprofits
- Subpart E of 2 CFR 200 is the Cost Principles

Where to go?

Language as of today:

www.ecfr.gov

(look up Title 2, Part 200 for the current version of the Uniform Guidance, and see parts 300 and following for most agencies' exceptions to the Uniform Guidance)



Home
gpo.gov
govinfo.gov

[Browse / Search Previous](#)

e-CFR Navigation Aids
[Browse](#)
[Simple Search](#)

Advanced Search
[— Boolean](#)
[— Proximity](#)

[Search History](#)
[Search Tips](#)
[Corrections](#)
[Latest Updates](#)
[User Info](#)
[FAQs](#)
[Agency List](#)
[Incorporation By Reference](#)

Electronic Code of Federal Regulations
e-CFR

Electronic Code of Federal Regulations

e-CFR data is current as of **October 24, 2019**

[Title 2](#) → [Subtitle A](#) → [Chapter II](#) → [Part 200](#)

TITLE 2—Grants and Agreements

Subtitle A—OFFICE OF MANAGEMENT AND BUDGET GUIDANCE FOR GRANTS AND AGREEMENTS

CHAPTER II—OFFICE OF MANAGEMENT AND BUDGET GUIDANCE

PART 200—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

Subpart A—ACRONYMS AND DEFINITIONS

| ACRONYMS | |
|------------------------|--------------|
| §200.0 | Acronyms. |
| §200.1 | Definitions. |

Subpart E – Cost Principles

2 CFR 200.400-476

- General Provisions
- Basic Considerations
- Direct and Indirect (F&A) Costs
- Special Considerations for States, Local Governments and Indian Tribes
- Special Considerations for Institutions of Higher Education
- General Provisions for Selected Items of Cost

Cost Allowability

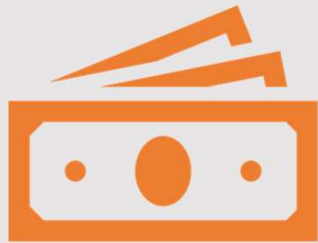
An **allowable** cost is one that meets the criteria for authorized expenditures specified in the Cost Principles, located at 2 CFR 200, Subpart E.

To meet federal standards for allowability, a cost charged to a federal grant must meet specific criteria.

Cost Allowability

1. Necessary and reasonable (*200.403(a) and 200.404*)
2. Allocable (*200.403(a) and 200.405*)
3. Conform to any limitations or exclusions (*200.403(b)*)
4. Consistent with policies and procedures (*200.403(c)*)
5. Consistent treatment as either a direct or indirect cost (*200.403(d) and 200.412*)
6. Determined in accordance with GAAP (*200.403(e)*)
7. Not be included as a cost or used to meet cost sharing or matching requirements (*200.403(f)*)
8. Adequately documented (*200.403(g)*)
9. Incurred during the approved budget period (*200.403(h)*)
10. Applicable credits (*200.406*)
11. Statutory requirements that limit the allowability of costs (*200.408*)

General Provisions for Selected Items of Cost §200.420 - 200.476



Provides guidance on over 50
items of cost



But doesn't cover everything

This section provides principles to be applied in establishing the allowability of certain items involved in determining cost, in addition to the requirements of Subtitle II of this subpart. These principles apply whether or not a particular item of cost is properly treated as direct cost or indirect (F&A) cost. **Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable;** rather, determination as to allowability in each case should be based on the treatment provided for **similar or related items of cost, and based on the principles described in §§200.402 through 200.411.** In case of a discrepancy between the provisions of a specific Federal award and the provisions below, the Federal award governs. Criteria outlined in §200.403 must be applied in determining allowability.

See also §200.102.

Costs to exclude from your budget

- Costs that wouldn't pass the reasonable/necessary/prudent person test
- Costs that wouldn't be considered as ethical or aligned with common sense
- Costs that are not allocable to the award, including costs that would be incurred outside of any authorized pre-award period or budget period
- Costs that exceed AmeriCorps-required limits
- Costs incurred based on policies that do not align with how you spend money in the organization for non-federal or non-AmeriCorps activities
- Costs that are not based on consistent treatment of direct and indirect costs
- Costs not aligned with GAAP
- Federal share costs you'll report as federal share on another grant



Costs to exclude from your budget



- Federal share costs you'll report as match on another federal grant (unless you have permission from AmeriCorps)
- Grantee Share Cost from a federal source without authorization from that federal agency
- Grantee Share third-party in-kind that you may not be able to document adequately
- Costs that would be in violation of local, state, or federal law
- Costs involving fraud, waste, or abuse of funds
- Lobbying
- Alcohol
- Fines and Penalties
- Entertainment (unless it has a programmatic purpose)

From ASN Competitive NOFO (FY22):

B.4 Type of Award

| Grant Types | Cost Reimbursement | Fixed Amount | | | |
|---|------------------------------|------------------------------|-------------------------------|---|------------------------------|
| Available Subtypes | Traditional | Full-Cost | Education Award Program (EAP) | Professional Corps See Sec. D.6.a.2 for further requirements | No Cost Slots |
| Maximum Cost per MSY | \$21,600 | \$21,600 | \$800 or \$1,000* | \$1,000 | \$0 |
| Type of Slots in the National Service Trust | FT, TQT, HT, RHT, QT, MT, AT | FT, TQT, HT, RHT, QT, MT, AT | FT, TQT, HT, RHT, QT, MT, AT | FT Only | FT, TQT, HT, RHT, QT, MT, AT |
| Budget Submission | Yes | No | No | Yes, if requesting | No |

From ASN Competitive NOFO (FY22):

B.4 FEDERAL AWARD INFORMATION

| Grant Types | Cost Reimbursement | Fixed Amount | | |
|--|--------------------|--------------|---|-----|
| Availability of Funds linked to enrollment and retention of awarded MSYs | No | Yes | | No |
| Grant Types | Cost Reimbursement | Fixed Amount | | |
| Special Requirements | N/A | N/A | Must place qualified professionals in communities with an inadequate number of such professionals. Member salaries and benefits must be paid entirely by organization where member serves and not included in budget. | N/A |
| Financial Reporting Requirements | Yes | No | | |
| Available to new Applicants | Yes | No | Yes | |

*\$18,000 adjusted for inflation as measured by the Consumer Price Index for all Urban Consumers.

From ASN Competitive NOFO (FY22):

C.2 Cost Sharing or Matching

Fixed Amount Grants

There is no match requirement for Fixed Amount grants. AmeriCorps does not provide all the funds necessary to operate the program, therefore organizations should raise the additional revenue required to operate the program.

New applicants are eligible to apply for Cost Reimbursement and Education Award Program (EAP) grant but are not eligible to apply for Full Cost Fixed Amount grants.

Cost Reimbursement Grants

Applicants are required to match funds based on the chart below. The applicant's match can be non-AmeriCorps cash and/or in-kind contributions. Applicants must indicate whether the match is proposed or secured. Applicants must demonstrate the ability to meet the match requirement at the time of application submission. See Section *D.6. Funding Restrictions* for more information.

A first-time successful applicant is required to match at 24 percent for the first three-year funding period. Starting with year four, the match requirement gradually increases every year to 50 percent by year ten, according to the minimum overall share chart found in 45 CFR 2521.60 and below.

| AmeriCorps Funding Year | 1, 2, 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10+ |
|----------------------------|---------|-----|-----|-----|-----|-----|-----|-----|
| Grantee Share Requirements | 24% | 26% | 30% | 34% | 38% | 42% | 46% | 50% |

Law requires that grantees that use other Federal funds as matching funds for an AmeriCorps grant to report those amounts and sources to AmeriCorps on a Federal Financial Report.⁶ Grantees must track and be prepared to report on that match separately each year and at closeout.

From ASN Competitive NOFO (FY22):

C.2 Cost Sharing or Matching

Match Waiver

Please see the Match Waiver information.

Alternative Match

Under certain circumstances, applicants may qualify to meet alternative matching requirements that increase over the years to 35 percent instead of 50 percent as specified in the regulations. 7 To qualify, applicants must demonstrate that the proposed program is either located in a rural county or in a severely economically distressed community as defined in the Application Instructions. Applicants who plan to request an alternative match schedule must submit a request at the time the application is submitted. Programs applying through State Service Commissions must submit requests for alternative match to the Commission, who will submit it to AmeriCorps on their behalf. Commissions and National Directs will submit requests to directly to ACAlternateMatchRequests@cns.gov.

From ASN Competitive NOFO (FY22):

D.6.a.1 Member Living Allowance

1. Member Living Allowance

A living allowance is not considered a salary or a wage. Programs are not required to provide a living allowance for members serving in less than full-time terms of service. If a program chooses to provide a living allowance to a less than full-time member, it must comply with the maximum limits in the table below. For Cost Reimbursement grants, the amount must be included in the proposed budget as either CNCS or grantee share. Exceptions are noted below.

While Fixed Amount grant applicants are not required to submit detailed budgets, they are still required to provide a living allowance to members that complies with the minimum and maximum requirements. Exceptions are noted below. Fixed Amount grant applicants should indicate that amount in the application.

From ASN Competitive NOFO (FY22): D.6.a.1 Member Living Allowance

Table: Minimum and Maximum Living Allowance

| Service Term | Minimum # of Hours | Minimum Living Allowance | Maximum Total Living Allowance |
|---------------------|-----------------------------------|---|---|
| Full-time | 1,700 | \$16,502 | \$33,004 |
| Three Quarter-time | 1,200 | n/a | \$23,103 |
| Half-time | 900 | n/a | \$16,502 |
| Reduced Half-time | 675 | n/a | \$12,542 |
| Quarter-time | 450 | n/a | \$8,581 |
| Minimum-time | 300 | n/a | \$6,931 |
| Abbreviated-time | 100 | n/a | \$1,980 |



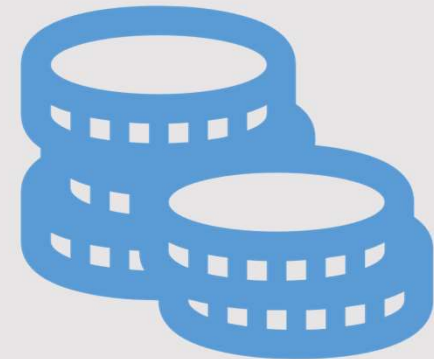
From ASN Competitive NOFO (FY22):

D.6.a.2 Maximum Cost per Member Service Year (MSY)

2. Maximum Cost per Member Service Year (MSY)

The AmeriCorps cost per MSY is determined by dividing the AmeriCorps share of budgeted grant costs by the number of MSYs requested. It does not include child care or the value of the education award a member may earn. The maximum amount an applicant may request from AmeriCorps per MSY is determined on an annual basis.

New and recompeting Commission sub-grantees/applicants will be held to the maximum cost per MSY for their grant type.



From ASN Competitive NOFO (FY22):

D.6.a.2 Maximum Cost per Member Service Year (MSY)

Table: Maximum Cost per MSY

| Grant Program | Maximum |
|--|--------------------|
| Individual Competitive State/Territory Program (cost reimbursement) | \$21,600 |
| Multi-state competitive (cost reimbursement) | \$21,600 |
| Professional Corps competitive Fixed Amount Applicants/Grantees | \$1,000* |
| Full-cost competitive Fixed Amount Grant | \$21,600 |
| Education Award Program (EAP) Fixed Amount Grant (competitive and formula) | \$800 or \$1,000** |
| All non EAP formula grants*** | \$28,800**** |

From ASN Competitive NOFO (FY22): D.6.a.2 Maximum Cost per Member Service Year (MSY)

*AmeriCorps requires Professional Corps programs to cover the operating expenses associated with the AmeriCorps program through non AmeriCorps resources. AmeriCorps will only consider operating funds of up to \$1,000 per MSY if an applicant is able to demonstrate significant organizational financial need.

** Per 42 U.S.C. 12581a, the Corporation may provide the operational support under this section for a program in an amount that is not more than \$800 per individual enrolled in an approved national service position, or not more than \$1,000 per such individual if at least 50 percent of the persons enrolled in the program are disadvantaged youth.

*** Except planning grants

****\$18,000 adjusted for inflation as measured by the Consumer Price Index for all Urban Consumers. AmeriCorps reserves the right to 1) treat an applicant that meets the statutory requirements of a Professional Corps as such, whether or not they submitted their application as a professional corps program; and 2) determine whether an applicant has demonstrated inability to effectively operate in the absence of AmeriCorps operating funds.

From ASN Competitive NOFO (FY22): D.6.b and c

D.6.b. Indirect Costs

Application budgets may include indirect costs. Based on qualifying factors, applicants may either use a Federally-approved indirect cost rate, a 10 percent de minimis rate of modified total direct costs, or may claim certain costs directly, as outlined in 2 CFR 200.413. States, local governments, and Indian Tribes may use previously-approved indirect cost allocation plans. All methods must be applied consistently across all Federal awards. Applicants that have a Federal negotiated indirect cost rate or that will be using the 10 percent de minimis rate must enter that information in the Organization section in eGrants. However, under section 121(d) of the NCSA and AmeriCorps' regulations at 45 CFR 2521.95 and 2540.110, no more than five percent of award funds may be used to recover indirect costs on AmeriCorps State and National grants.

The instructions for how to enter the organization's indirect cost rate⁹. Applicants should not submit documentation addressing the indirect cost rate agreement via email.

Please note: To request a Federally negotiated indirect cost rate agreement, when AmeriCorps is the applicable cognizant agency for an organization's indirect costs, the applicant must submit a request to IndirectCostRate@cns.gov. The applicant may also obtain instructions and additional information by contacting the email address above.

D.6.c. Pre-Award Costs

Pre-award costs, where authorized, are allowed after receiving written approval from AmeriCorps.

⁹https://americorps.gov/sites/default/files/document/eGrants%20Indirect%20Cost%20Rate%20Instructions%20FINAL_20210519%20Update.pdf

NOTE: the link directly above is different than an inactive link that was in the ASN FY22 Competitive NOFO. The current active link is reflected above.

From ASN Competitive NOFO (FY22):

E.1 Review Criteria

| Categories/Subcategories | Percentage |
|---|------------|
| Executive Summary | 0 |
| Program Design | 50 |
| Theory of Change and Logic Model | 24 |
| Evidence Tier | 12 |
| Evidence Quality | 8 |
| Notice Priority | 0 |
| Member Experience | 6 |
| Organizational Capacity | 25 |
| Organizational Background and Staffing | 9 |
| Compliance and Accountability | 8 |
| Culture That Values Learning | 4 |
| Member Supervision | 4 |
| Cost Effectiveness and Budget Adequacy | 25 |

From ASN Competitive NOFO (FY22):

E.1 Review Criteria

D. Cost Effectiveness and Budget Adequacy (25 percent)

- Reviewers will assess the quality of the application's budget to the following criteria below. Do not assume all sub-criteria are of equal value.
- **These criteria will be assessed based on the budget submitted. Do not include narrative in the narrative box except for "See budget"**

1. Cost Effectiveness and Budget Adequacy (25 points)

- Budget is submitted without mathematical errors
- Proposed costs are allowable, reasonable, and allocable to the award.
- Budget is submitted with adequate information to assess how each line item is calculated.
- Budget complies with the budget instructions.
- Match is submitted with adequate information to support the amount written in the budget.
- The budgeted match is equal to or more than the required match for the given program year.
- The cost per MSY is equal to or less than the maximum cost per MSY.

From ASN Competitive NOFO (FY22):

E.1 Review Criteria

- Proposed budgets that contain MSY costs that exceed the maximum cost per MSY and/or less than required match will be considered unresponsive to the application criteria.
- Applicants must complete the budget and ensure the following information is in the budget screens:
 - Current indirect rate cost rate information if used to claim indirect/administrative costs.
 - Identify the non-AmeriCorps funding and resources necessary to support the project, including for Fixed Amount applicants.
 - Indicate the amount of non-AmeriCorps resource commitments, type of commitments (in-kind and/or cash), the sources of these commitments, and if the commitments are proposed or secured

Indirect Cost Rates: AmeriCorps allows applicants to include indirect costs in application budgets. Based on qualifying factors, applicants have the option of using a federally approved indirect cost rate, a 10% de minimis rate of modified total direct costs, or may claim certain costs directly as outlined in 2 CFR § 200.413 Direct costs. Applicants who hold a federal negotiated indirect cost rate must use that rate in lieu of the AmeriCorps 5/10% allocation of administrative costs.

Applicants who hold a state or federal negotiated indirect cost rate or will be using the 10% de minimis rate must enter that information in the Organization section in eGrants (See **Attachment J**).

From ASN Competitive NOFO (FY22)

Section VIII. Budget Instructions

For Fixed Amount grants, including EAPs: Use the Budget Instructions for Fixed Amount applicants (Attachment) and the Budget Worksheet (Attachment) to prepare your budget.

A. Match Requirements

Program requirements, including requirements on match are located in the AmeriCorps Regulations and summarized below.

Table 2: Match Requirements in the AmeriCorps Regulations

| Grant Type | Match Requirement |
|--|--|
| Cost Reimbursement including States and Territories without Commissions, Indian Tribes | Minimum grantee share is 24% of program costs for the first three years. Overall grantee share of total program costs increases gradually beginning in Year 4 to 50% by the tenth year of funding and any year thereafter. |
| EAP Fixed Amount Grants | There are no specific match requirements for fixed amount grants. Grantees pay all program costs over the cost in the <i>Notice</i> provided by AmeriCorps. |
| Professional Corps Fixed Amount Grants | There are no specific match requirements for fixed amount grants. Grantees pay all program costs over the cost in the <i>Notice</i> provided by AmeriCorps. |
| Stipended Fixed Amount Grants | There are no specific match requirements for full-cost fixed amount grants. Grantees pay all program costs over the maximum cost in the <i>Notice</i> provided by AmeriCorps. |

From ASN Competitive NOFO (FY22)

Section VIII. Budget Instructions

- Grantees are required to meet an overall matching rate that increases over time. You have the flexibility to meet the overall match requirements in any of the three budget areas, as long as the minimum match of 24% for the first three years, and the increasing minimums in years thereafter, are maintained. See 45 CFR §§ 2521.35–2521.90 for the specific regulations.
- If you are applying for the first time, you must match with cash or in-kind contributions at least 24% of the project's total Operating Costs (Section I) plus Member Costs (Section II) plus Administrative Costs (Section III). If you are recompeting, please see 45 CFR §§ 2521.40–2521.95 for the match schedule.
- The acceptable sources of matching funds are federal, state, local, and/or private sector funds in accordance with applicable AmeriCorps requirements.
- In the “Source of Funds” field that appears at the end of Budget Section III, enter a brief description of the match. Identify each match source separately. Identify if the match is secured or proposed. Include dollar amount, the match classification (cash or in-kind), and the source type (Private, State/Local, or Federal) for your entire match. (The total amount in the Source of Funds field should match the total amount in the budget narrative exactly.) Define all acronyms the first time they are used. See Attachment G for instructions for applying for the Alternative Match Schedule.

From ASN Competitive NOFO (FY22)

Section VIII. Budget Instructions

Note: AmeriCorps legislation permits the use of non-AmeriCorps federal funds as match for the grantee share of the budget. Please discuss your intention of using federal funds to match an AmeriCorps grant with the other agency prior to submitting your application. Section 121(e)(5) of the National Community Service Act requires that grantees who use other federal funds as match for an AmeriCorps grant report the amount and source of these funds to AmeriCorps. If you use other federal funds as match, you must ensure you can meet the requirements and purpose of both grants. Grantees who use federal funds as match will be required to report the sources and amounts on the Federal Financial Report (FFR).

From ASN Competitive NOFO (FY22)

Section VIII. Budget Instructions



Your proposed budget should be sufficient to allow you to perform the tasks described in your narrative. Reviewers will consider the information you provide in this section in their assessment of the Cost-Effectiveness and Budget Adequacy selection criterion.



Follow the detailed budget instructions in the Attachments to prepare your budget. We recommend that you prepare your budget in the same order as indicated in the Budget Worksheets in the Attachments.



As you enter your detailed budget information, eGrants will automatically populate a budget summary and budget narrative report. Prior to submission be sure to review the budget checklist (Attachment) to ensure your budget is compliant. In addition, eGrants will perform a limited compliance check to validate the budget. If eGrants finds any compliance issues you will receive a warning and/or error messages. You must resolve all errors before you can submit your budget.

From ASN Competitive NOFO (FY22)

Section VIII. Budget Instructions

As you prepare your budget:

- All the amounts you request must be defined for a particular purpose. Do not include miscellaneous, contingency, or other undefined budget amounts.
- Itemize each cost and present the basis for all calculations in the form of an equation.
- Do not include unallowable expenses, e.g., entertainment costs (which include food and beverage costs) unless they are justified as an essential component of an activity.
- Do not include fractional amounts (cents).
- **Please add the cost of the NSOPW, state check and/or FBI check for criminal history checks for each covered position in the budget. If funds are not budgeted, an explanation for how the costs will be covered must be noted in the budget.**

From ASN Competitive NOFO (FY22)

Section VIII. Budget Instructions

Programs **must comply** with all applicable federal laws, regulations, and the requirements of the Uniform Guidance. Please refer to the Uniform Guidance, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200) for allowable, allocable, and reasonable cost information, as well as, audit requirements, including the need to provide audits to the Clearinghouse if expending over \$750,000 in federal funds.

The OMB Uniform Guidance can be found on-line at https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

Section I. Program Operating Costs

- A. Personnel Expenses
- B. Personnel Fringe Benefits
- C. 1. Staff Travel
- C. 2. Member Travel
- D. Equipment
- E. Supplies
- F. Contractual and Consultant Services
- G. 1. Staff Training
- G. 2. Member Training
- H. Evaluation
- I. Other Program Operating Costs

Section II. Member Costs

- A. Living Allowance or stipend
- B. Member Support Costs
- FICA Worker's Compensation
- Health Care
- Unemployment Insurance and Other Member Support Costs

Section III. Administrative/Indirect Costs

From ASN Competitive New and Continuation Application Instructions, Section VIII

Section I. Program Operating Costs

A. Personnel Expenses



Under “Position/Title Description,” list each staff position separately and provide salary and percentage of effort as percentage of FTE devoted to this award.

Each staff person’s role listed in the budget must be described in the application narrative and each staff person mentioned in the narrative must be listed in the budget as either CNCS or Grantee share.

Because the purpose of this grant is to enable and stimulate volunteer community service, do not include the value of direct community service performed by volunteers. However, you may include the value of volunteer services contributed to the organization for organizational functions such as accounting, audit work, or training of staff and AmeriCorps members.

Section I.

Program

Operating Costs

B. Personnel

Fringe Benefits



Under “Purpose/Description,” identify the types of fringe benefits to be covered and the costs of benefit(s) for each staff position.

Allowable fringe benefits typically include FICA, Worker’s Compensation, Retirement, SUTA, Health and Life Insurance, IRA, and 401K. You may provide a calculation for total benefits as a percentage of the salaries to which they apply or list each benefit as a separate item.

If a fringe benefit amount is over 30%, please list covered items separately and justify the high cost. Holidays, leave, and other similar vacation benefits are not included in the fringe benefit rates, but are absorbed into the personnel expenses (salary) budget line item.

Section I. Program Operating Costs C. 1. Staff Travel



Describe the purpose for which program staff will travel. Provide a calculation that includes itemized costs for airfare, transportation, lodging, per diem, and other travel-related expenses multiplied by the number of trips/staff. Where applicable, identify the current standard reimbursement rate(s) of the organization for mileage, daily per diem, and similar supporting information. Reimbursement should not exceed the federal mileage rate unless a result of applicant policy and justified in the budget narrative. Only domestic travel is allowable.

We expect all State Commissions and National Direct applicants to include funds in this line item for travel for staff and site staff to attend AmeriCorps-sponsored technical assistance meetings. There are two to three such opportunities per year. Travel funds should be budgeted for at least one staff member, especially new staff, to attend the annual AmeriCorps Symposium as well as Symposium pre-conference events (if applicable).

Please itemize the costs. For example: Two staff members will attend the annual AmeriCorps Symposium in Washington, DC.

2 staff X \$750 airfare + \$50 ground transportation + (1 day) X \$400 lodging + \$35 per diem = \$2,470 for Annual AmeriCorps Symposium.

Section I. Program Operating Costs

C. 2. Member Travel



Describe the purpose for which members will travel.

Provide a calculation that includes itemized costs for airfare, transportation, lodging, per diem, and other related expenses for members to travel outside their service location or between sites.

Costs associated with local travel, such as bus passes to local sites, mileage reimbursement for use of car, etc., should be included in this budget category.

Where applicable, identify the current standard reimbursement rate(s) of the organization for mileage, daily per diem, and similar supporting information.

Section I. Program Operating Costs D. Equipment



Equipment is defined as tangible, non-expendable personal property having a useful life of more than one year **AND an acquisition cost of \$5,000 or more per unit** (including accessories, attachments, and modifications).

Any items that do not meet this definition should be entered in E. Supplies below.

Purchases of equipment are limited to 10% of the total CNCS funds requested. If applicable, show the unit cost and number of units you are requesting. Provide a brief justification for the purchase of the equipment under Item/Purpose.

Section I. Program Operating Costs E. Supplies



AmeriCorps members must wear an AmeriCorps logo on a daily basis – preferably clothing with the AmeriCorps logo. The item with the AmeriCorps logo is a required budget expense. Please include the cost of the item with the AmeriCorps logo in your budget or explain how your program will be providing the item to AmeriCorps members without using grant funds. Grantees may add the AmeriCorps logo to their own local program uniform items using federal funds. Please note that your program will be using the AmeriCorps logo in the budget description.

Include the amount of funds to purchase consumable supplies and materials, including member service gear and equipment that does not fit the definition above. You must individually list any single item costing \$1,000 or more. Except for safety equipment, grantees may only charge the cost of member service gear to the federal share if it includes the AmeriCorps logo. All safety gear may be charged to the federal share, regardless of whether it includes the AmeriCorps logo. All other service gear must be purchased with non-CNCS funds.

Section I. Program Operating Costs F. Contractual and Consultant Services

Include costs for consultants related to the project's operations, except training or evaluation consultants, who will be listed in Sections G. and H., below. There is not a maximum daily rate.



Section I. Program Operating Costs

G. 1. Staff Training

Include the costs associated with **training staff** on project requirements and training to enhance the skills staff need for effective project implementation, i.e., project or financial management, team building, etc.

If using a consultant(s) for training, indicate the estimated daily rate. There is not a maximum daily rate.



Section I. Program Operating Costs

G. 2. Member Training

Include the costs associated with **member training** to support them in carrying out their service activities. You may also use this section to request funds to support training in Life after AmeriCorps.

If using a consultant(s) for training, indicate the estimated daily rate. There is not a maximum daily rate.



Section I. Program Operating Costs H. Evaluation



Include costs for project evaluation activities, including additional staff time or **subcontracts**, use of evaluation consultants, purchase of instrumentation, and other costs specifically for this activity not budgeted in Section A Personnel Expenses.

This cost does not include the daily/weekly gathering of data to assess progress toward meeting performance measures but is a larger assessment of the impact your project is having on the community, as well as an assessment of the overall systems and project design.

Indicate daily rates of consultants, where applicable.

Section I. Program Operating Costs

I. Other Program Operating Costs

Allowable costs in this budget category should include when applicable:

- Criminal history background checks for all members and for all employees or other individuals who receive a salary, education award, living allowance, or stipend or similar payment from the grant (federal or non-federal share). Please include the cost of the NSOPW, state check and FBI check for criminal history checks for all covered positions.. If funds are not budgeted, an explanation for how the costs will be covered must be noted in the budget.
- Office space rental for projects operating without an approved indirect cost rate agreement that covers office space. If space is budgeted and it is shared with other projects or activities, the costs must be equitably pro-rated and allocated between the activities or projects.

Section I. Program Operating Costs

I. Other Program Operating Costs

Allowable costs in this budget category should include when applicable:

- Utilities, telephone, internet, postage, copying, and similar expenses that are specifically used for AmeriCorps members and AmeriCorps project staff, and are not part of the organization's indirect cost allocation pool. If such expenses are budgeted and shared with other projects or activities, the costs must be equitably pro-rated and allocated between the activities or projects.
- Recognition costs for members. List each item and provide a justification in the budget narrative. Gifts and/or food in an entertainment/event setting are not allowable costs.
- Multi-state applicants: Indicate the number of subgrants and the average amount of subgrants. Indicate any match that you will require of your subgrants under the “grantee share” column in this category. Subgranted funds may only cover costs allowable under federal and AmeriCorps regulations and terms and conditions.

Section II. Member Costs

Member Costs are identified as “Living Allowance” and “Member Support Costs.” Your required match can be federal, state, local, or private sector funds.

A. Living Allowance

The narrative should clearly identify the number of members you are supporting by category (i.e., full-time, three-quarter-time, half-time, reduced-half-time, quarter-time, minimum-time) and the amount of living allowance they will receive, allocating appropriate portions between the AmeriCorps share (CNCS Share) and grantee share (match).

The minimum and maximum living allowance amounts are provided in the *Notice*.

In eGrants, enter the total number of members you are requesting in each category. Enter the average amount of the living allowance for each type of member. In addition, enter the number of members for whom you are not requesting funds for a living allowance, but for whom you are requesting education awards.

Section II. Member Costs

Consistent with the laws of the states where your members serve, you must provide members with the benefits described below.

II.B. FICA. Unless exempted by the IRS, all projects must pay FICA for any member receiving a living allowance, even when AmeriCorps does not supply the living allowance. If exempted, please note in the narrative. In the first column next to FICA, indicate the number of members who will receive FICA. Calculate the FICA at 7.65% of the total amount of the living allowance.

II.B Health Care. You must offer or make available health care benefits to full-time members in accordance with AmeriCorps requirements. Except as stated below, you may not pay health care benefits to less-than-full-time members with AmeriCorps funds. You may choose to provide health care benefits to less-than-full-time members from other sources (i.e., non-federal) but the cost cannot be included in the budget. Less-than-full-time members who are serving in a full-time capacity for a sustained period of time (such as a full-time summer project) are eligible for health care benefits. If you budget health insurance for less-than-full-time members serving in a full-time capacity, indicate in the budget narrative. In your budget narrative, indicate the number of members who will receive health care benefits. AmeriCorps will not pay for dependent coverage. If health care is not budgeted for all full-time members, please confirm all full-time members will have access to coverage.

Section II. Member Costs

II.B Worker's Compensation. Some states require worker's compensation for AmeriCorps members. You must check with State Departments of Labor or State Commissions where members serve to determine if you are required to pay worker's compensation and if so at what level. If you are not required to pay worker's compensation, you must obtain Occupational, Accidental, Death and Dismemberment coverage for members to cover in-service injury or accidents.

II.B Unemployment Insurance and Other Member Support Costs. Include any other required member support costs here. Some states require unemployment coverage for their AmeriCorps members. You may not charge the cost of unemployment insurance taxes to the grant unless mandated by state law. Programs are responsible for determining the requirements of state law by consulting State Commissions, legal counsel, or the applicable state agencies.

Section III. Administrative/Indirect Costs

Definitions

Administrative costs are general or centralized expenses of the overall administration of an organization that receives CNCS funds and do not include particular project costs. These costs may include administrative staff positions. For organizations that have an established indirect cost rate for federal awards, administrative costs mean those costs that are included in the organization's indirect cost rate agreement. Such costs are generally identified with the organization's overall operation and are further described in Office of Management and Budget Uniform Guidance.

Options for Calculating Administrative/Indirect Costs (choose either A, B, OR C)

Applicants choose one of three methods to calculate allowable administrative costs – a CNCS-fixed percentage rate method, a federally approved indirect cost rate method, or a de minimis method. Regardless of the option chosen, the CNCS share of administrative costs is limited to 5% of the total CNCS funds **actually expended** under this grant. Do not create additional lines in this category. The budget narrative should clearly state which method you are using.

Section III. Administrative/Indirect Costs

A. CNCS-Fixed Percentage Method

Five/Ten Percent Fixed Administrative Costs Option

The CNCS-fixed percentage rate method allows you to charge administrative costs up to a cap without a federally approved indirect cost rate and without documentation supporting the allocation. If you choose the CNCS-fixed percentage rate method (Section IIIA in eGrants), you may charge, for administrative costs, a fixed 5% of the total of the CNCS funds expended. In order to charge this fixed 5%, the grantee match for administrative costs may not exceed 10% of all direct cost expenditures.

Section III. Administrative/Indirect Costs

A. CNCS-Fixed Percentage Method

Five/Ten Percent Fixed Administrative Costs Option

1. To determine the maximum CNCS share for Section III: Multiply the sum of the CNCS funding shares of Sections I and II by 0.0526. This is the maximum amount you can request as Corporation share. The factor 0.0526 is used to calculate the 5% maximum amount of federal funds that may be budgeted for administrative (indirect) costs, rather than 0.0500, as a way to mathematically compensate for determining Section III costs when the total budget (Sections I + II + III) is not yet established. Enter this amount as the CNCS share for Section III A.
2. To determine the Grantee share for Section III: Multiply the total (both CNCS and grantee share) of Sections I and II by 10% (0.10) and enter this amount as the grantee share for Section III A.

Section III. Administrative/Indirect Costs

3. Enter the sum of the CNCS and grantee shares under Total Amount.

If a commission elects to retain a share of the 5% of federal funds available to programs for administrative costs up to 2%, that decision is identified within each subgrant's budget. A state commission can take up to 2% in administrative funds, provided the commission has less than 25% in prior year unexpended funds on the Commission Support Grant. If the commission's unexpended exceeds 25%, the commission can take up to 1% in administrative funds. If the commission elects to retain 1% of the administrative costs, to calculate these fractional shares, within Section III of the subgrant budget, **one-fifth (20%) of the federal dollars budgeted for administrative costs is allocated to the commission's share and four-fifths (80%) of the federal dollars budgeted for administrative costs are allocated to the program's share.** The allocation between commission and program shares would be calculated as follows:

$([\text{Section I}] + [\text{Section II}] \times 0.0526) \times (0.20) = \text{Commission Share}$

$([\text{Section I}] + [\text{Section II}] \times 0.0526) \times (0.80) = \text{Subgrantee Share}$

Section III. Administrative/Indirect Costs

If a commission elects to retain a share that is less than 1% budgeted for administrative costs, adjust the calculation above, as appropriate.

If the commission elects to retain 2% of the administrative costs, to calculate these fractional shares, within Section III of the subgrant budget, **two-fifths (40%) of the federal dollars budgeted for administrative costs is allocated to the commission's share and three-fifths (60%) of the federal dollars budgeted for administrative costs are allocated to the program's share. The allocation between commission and program shares would be calculated as follows:**

$([\text{Section I}]) + [\text{Section II}] \times 0.0526 \times (0.40) = \text{Commission share}$

$([\text{Section I}] + [\text{Section II}] \times 0.0526) \times (0.60) = \text{Subgrantee Share}$

Section III. Administrative/Indirect Costs

B. Federally Approved Indirect Cost Rate

If you have a federally approved indirect cost rate, this method must be used and the rate will constitute documentation of your administrative costs, not to exceed the 5% maximum federal share payable by CNCS. Specify the Cost Type for which your organization has current documentation on file, i.e., Provisional, Predetermined, Fixed, or Final indirect cost rate. Supply your approved IDC rate (percentage) and the base upon which this rate is calculated (direct salaries, salaries and fringe benefits, etc). AmeriCorps does not restrict the overall indirect cost rate claimed. It is at your discretion whether or not to claim your entire IDC rate to calculate administrative costs. If you choose to claim a lower rate, please include this rate in the Rate Claimed field.

Section III. Administrative/Indirect Costs

B. Federally Approved Indirect Cost Rate

1. Determine the base amount of direct costs to which you will apply the IDC rate, including both the CNCS and Grantee shares, as prescribed by your established rate agreement (i.e., based on salaries and benefits, total direct costs, or other). Then multiply the appropriate direct costs by the rate being claimed. This will determine the total amount of indirect costs allowable under the grant.
2. To determine the CNCS share: Multiply the sum of the CNCS funding share in Sections I and II by 0.0526. This is the maximum amount you can claim as the CNCS share of indirect costs.

If a commission elects to retain a share of the 5% of federal funds available, please note the percentage or amount in the text. There is no separate line item to show this calculation.

3. To determine the Grantee share: Subtract the amount calculated in step 2 (the CNCS share) from the amount calculated in step 1 (the Indirect Cost total). This is the amount the applicant can claim as grantee share for administrative costs.

Section III. Administrative/Indirect Costs

C. *De Minimis* Rate of 10% of Modified Total Direct Costs

Organizations who do not currently have a federally negotiated indirect cost rate (except for those non-Federal entities described in Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph (d)(1)(B)) and who receive less than \$35 million in direct federal funding, may indefinitely use a *de minimus* rate of 10% of modified total direct costs (MTDC). Additional information regarding what is included in MTDC and use of this option can be found at 2 CFR 200.414(f) and **200.68**. If this option is elected, it must be used consistently across all federal awards.

From ASN Competitive New and Continuation Application Instructions, Section VIII

Source of Funds

In the “Source of Funds” field that appears at the end of Budget Section III, enter a brief description of the match. Identify each match source separately. Identify if the match is secured or proposed. Include dollar amount, the match classification (cash or in-kind), and the source type (Private, State/Local, or Federal) for your **entire match**. (The total amount in the Source of Funds field should match the total amount in the budget narrative exactly.) Define all acronyms the first time they are used. The total amount of Source of Match should equal the Grantee Share amount.

Note: the value of the Segal Education Awards that members earn for their service is not identified in the budget. Also, the childcare reimbursements provided to eligible full-time members is not included in the budget.

Options for AmeriCorps Subrecipients to Report Indirect Costs

- Use an indirect cost rate negotiated with the federal government
- Select the 10% of Modified Total Direct Costs (MTDC) method (AKA de minimis 10%)-
not an option if:
 - *Your organization has a current negotiated indirect rate with the federal government; or*
 - *Your organization is a state, local, or tribal government receiving over \$35 million in direct federal funds*
- Use the Five/Ten method (formerly called Corporation Fixed Percentage Method) (report CNCS indirect at 5.26% of total CNCS Share direct costs; report Grantee Share indirect at 10% of total (CNCS + Grantee Share) direct costs.
- Negotiate a rate with the Commission
- Negotiate a rate with another pass-through entity that the Commission is willing to accept
- Internal cost allocation plan

Common Mistakes in Budget Preparation:

- Source calculation text does not equate either to the amount after the equal sign or to the amount in the field where the amount budgeted for a particular line item is entered.
 - *Example: Program Director: \$50,000 X 70% time=\$40,000*
- Lack of integration with the program narrative or other sections of the budget.
 - *Example: The program narrative says 200 meals will be provided weekly, but the budget is for 300 meals weekly.*
- Lack of Justification for a particular item of cost or for the amount.
 - *Example: Budget only says, “50 backpacks”, but there is no further info regarding why they are needed.*

Common Mistakes in Budget Preparation:

- Problems with exceeding allowable maximums on particular costs or not meeting required percentages.
 - *Example: Federal program policy caps indirect costs at 10%, but the amount budgeted is 12%.*
- Costs are budgeted as direct that should be indirect.
 - *Example: An organization generally charges Accountant time as indirect, but is not following this practice on the budget for a particular grant (NOTE: this could be justified in limited circumstances).*
- Cost Allocation issues
 - *Example: 8.2 Full Time Equivalents (FTEs) are budgeted in the Personnel section, but Fringe is budgeted for 9.5 FTEs.*

Common Mistakes in Budget Preparation:

Unclear what is being purchased or paid for.

- *Example: Training-\$6100. A clearer budget could look like, Training facility rental: 8 Days X \$200/day=\$1600, printing costs for participant handbooks: 100 manuals X\$5/manual=\$500, caterer costs for working lunches for participants: 100 Participants X \$5/lunch X 8 days=\$4000.*

Idea to avoid much of this: Enlist one or more detail-oriented individuals who are not connected with the application preparation to review the application package before submission.

ACTIVITY

1. Consider some ideas/principles/practices from this session you'd like to remember as you develop the AmeriCorps budget
2. What will be the benefit of these practices?
3. Share your answers with your discussion group.



QUESTIONS



Contact

Jerry Bertrand

Public Impact Advisors

(512) 497-3322

jerrybertrand@gmail.com

LinkedIn:

<https://www.linkedin.com/in/bertrandjerry>